

ANNUAL STATEMENT

For the Year Ending December 31, 2003

OF THE CONDITION AND AFFAIRS OF THE

HealthPlus Partners, Inc.

NAIC Group Code

3409

(Current Period)

3409

(Prior Period)

NAIC Company Code

11549

Employer's ID Number

01-0729151

Organized under the Laws of

Michigan

State of Domicile or Port of Entry

Michigan

Country of Domicile

United States of America

Licensed as business type:

Life, Accident & Health[ ]

Property/Casualty[ ]

Hospital, Medical & Dental Service or Indemnity[ ]

Dental Service Corporation[ ]

Vision Service Corporation[ ]

Health Maintenance Organization[X]

Other[ ]

Is HMO Federally Qualified? Yes[ ] No[X]

Date Incorporated or Organized

07/08/2002

Date Commenced Business

01/01/2003

Statutory Home Office

2050 South Linden Road

(Street and Number)

Flint, MI 48532

(City, or Town, State and Zip Code)

Main Administrative Office

2050 South Linden Road

(Street and Number)

Flint, MI 48532

(City or Town, State and Zip Code)

(800)332-9161

(Area Code) (Telephone Number)

Mail Address

2050 South Linden Road, P.O. Box 1700

(Street and Number or P.O. Box)

Flint, MI 48501-1700

(City, or Town, State and Zip Code)

Primary Location of Books and Records

2050 South Linden Road

(Street and Number)

Flint, MI 48532

(City, or Town, State and Zip Code)

(800)332-9161

(Area Code) (Telephone Number)

Internet Website Address

www.healthplus.com

Statutory Statement Contact

Matthew Andrew Mendrygal, C.P.A.

(Name)

mmendrygal@healthplus.com

(E-Mail Address)

(810)230-2179

(Area Code)(Telephone Number)(Extension)

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Policyowner Relations Contact

2050 South Linden Road, P.O. Box 1700

(Street and Number)

Flint, MI 48501-1700

(City, or Town, State and Zip Code)

(800)332-9161

(Area Code) (Telephone Number)(Extension)

OFFICERS

Interim President

David Paul Crosby #

Secretary

Dan Ellis Champney Esq.

Treasurer

Matthew Andrew Mendrygal C.P.A.

VICE PRESIDENTS

DIRECTORS OR TRUSTEES

Penelope Drake Pestronk

Christopher John Flores #

Harold Leslie Mallon DDS #

Beth Eun Metcalfe #

Penny Roberts #

State of

Michigan

County of

Genesee

ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

(Signature)

David Paul Crosby

(Printed Name)

Interim President

(Signature)

Matthew Andrew Mendrygal

(Printed Name)

Treasurer

(Signature)

Dan Ellis Champney

(Printed Name)

Secretary

a. Is this an original filing?

Yes[X] No[ ]

b. If no,

1. State the amendment number

2. Date filed

3. Number of pages attached

Subscribed and sworn to before me this

day of

, 2004

(Notary Public Signature)

ASSETS

		Current Year			Prior Year
		1	2	3	4
		Assets	Nonadmitted Assets	Net Admitted Assets (Cols.1-2)	Net Admitted Assets
1.	Bonds (Schedule D) .....				
2.	Stocks (Schedule D)				
2.1	Preferred stocks .....				
2.2	Common Stocks .....	4,974,626		4,974,626	
3.	Mortgage loans on real estate (Schedule B):				
3.1	First liens .....				
3.2	Other than first liens .....				
4.	Real estate (Schedule A):				
4.1	Properties occupied by the company (less \$..... encumbrances) .....				
4.2	Properties held for the production of income (less \$..... encumbrances) .....				
4.3	Properties held for sale (less \$..... encumbrances) .....				
5.	Cash (\$.....(1,609,235) Schedule E Part 1), cash equivalents (\$..... Schedule E Part 2) and short-term investments (\$.....8,131,770 Schedule DA) .....	6,522,535		6,522,535	1,000,000
6.	Contract loans (including \$..... premium notes) .....				
7.	Other invested assets (Schedule BA) .....	37,140		37,140	
8.	Receivable for securities .....				
9.	Aggregate write-ins for invested assets .....				
10.	Subtotals, cash and invested assets (Lines 1 to 9) .....	11,534,301		11,534,301	1,000,000
11.	Investment income due and accrued .....	25,369		25,369	
12.	Premiums and considerations				
12.1	Uncollected premiums and agents' balances in the course of collection .....	499,571		499,571	
12.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due (Including \$..... earned but unbilled premiums) .....				
12.3	Accrued retrospective premiums .....				
13.	Reinsurance:				
13.1	Amounts recoverable from reinsurers .....				
13.2	Funds held by or deposited with reinsured companies .....				
13.3	Other amounts receivable under reinsurance contracts .....				
14.	Amounts receivable relating to uninsured plans .....				
15.1	Current federal and foreign income tax recoverable and interest thereon .....				
15.2	Net deferred tax asset .....				
16.	Guaranty funds receivable or on deposit .....				
17.	Electronic data processing equipment and software .....				
18.	Furniture and equipment, including health care delivery assets (\$.....) .....				
19.	Net adjustment in assets and liabilities due to foreign exchange rates .....				
20.	Receivables from parent, subsidiaries and affiliates .....	62,454		62,454	
21.	Health care (\$.....699,429) and other amounts receivable .....	1,047,595		1,047,595	
22.	Other assets nonadmitted .....				
23.	Aggregate write-ins for other than invested assets .....				
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23) .....	13,169,290		13,169,290	1,000,000
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....				
26.	Total (Lines 24 and 25) .....	13,169,290		13,169,290	1,000,000
DETAILS OF WRITE-INS					
0901	.....				
0902	.....				
0903	.....				
0998.	Summary of remaining write-ins for Line 9 from overflow page .....				
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above) .....				
2301	.....				
2302	.....				
2303	.....				
2398.	Summary of remaining write-ins for Line 23 from overflow page .....				
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) .....				

LIABILITIES, CAPITAL AND SURPLUS

		Current Year			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less \$..... reinsurance ceded) .....	3,567,590		3,567,590	
2.	Accrued medical incentive pool and bonus amounts .....	552,511		552,511	
3.	Unpaid claims adjustment expenses .....	43,998		43,998	
4.	Aggregate health policy reserves .....				
5.	Aggregate life policy reserves .....				
6.	Property/casualty unearned premium reserves .....				
7.	Aggregate health claim reserves .....				
8.	Premiums received in advance .....				
9.	General expenses due or accrued .....				
10.1	Current federal and foreign income tax payable and interest thereon (including \$..... on realized capital gains (losses)) .....				
10.2	Net deferred tax liability .....				
11.	Ceded reinsurance premiums payable .....				
12.	Amounts withheld or retained for the account of others .....				
13.	Remittance and items not allocated .....				
14.	Borrowed money (including \$..... current) and interest thereon \$..... (including \$..... current) .....				
15.	Amounts due to parent, subsidiaries and affiliates .....	1,178,878		1,178,878	
16.	Payable for securities .....				
17.	Funds held under reinsurance treaties with (\$..... authorized reinsurers and \$..... unauthorized reinsurers) .....				
18.	Reinsurance in unauthorized companies .....				
19.	Net adjustments in assets and liabilities due to foreign exchange rates .....				
20.	Liability for amounts held under uninsured accident and health plans .....				
21.	Aggregate write-ins for other liabilities (including \$..... current) .....	1,045,059		1,045,059	
22.	TOTAL Liabilities (Lines 1 to 21) .....	6,388,036		6,388,036	
23.	Common capital stock .....	X X X	X X X		
24.	Preferred capital stock .....	X X X	X X X		
25.	Gross paid in and contributed surplus .....	X X X	X X X	8,271,167	1,000,000
26.	Surplus notes .....	X X X	X X X		
27.	Aggregate write-ins for other than special surplus funds .....	X X X	X X X		
28.	Unassigned funds (surplus) .....	X X X	X X X	(1,489,913)	
29.	Less treasury stock, at cost:	X X X	X X X		
29.1	..... shares common (value included in Line 23 \$.....)	X X X	X X X		
29.2	..... shares preferred (value included in Line 24 \$.....)	X X X	X X X		
30.	TOTAL capital and surplus (Lines 23 to 28 minus Line 29) .....	X X X	X X X	6,781,254	1,000,000
31.	TOTAL Liabilities, capital and surplus (Lines 22 and 30) .....	X X X	X X X	13,169,290	1,000,000
DETAILS OF WRITE-INS					
2101.	Quality Assurance Assessment Program tax liability .....	1,045,059		1,045,059	
2102	.....				
2103	.....				
2198.	Summary of remaining write-ins for Line 21 from overflow page .....				
2199.	TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above) .....	1,045,059		1,045,059	
2701	.....	X X X	X X X		
2702	.....	X X X	X X X		
2703	.....	X X X	X X X		
2798.	Summary of remaining write-ins for Line 27 from overflow page .....	X X X	X X X		
2799.	TOTALS (Lines 2701 through 2703 plus 2798) (Line 27 above) .....	X X X	X X X		

STATEMENT OF REVENUE AND EXPENSES

		Current Year		Prior Year
		1 Uncovered	2 Total	3 Total
1.	Member Months .....	X X X	672,561	
2.	Net premium income (including \$..... non-health premium income) .....	X X X	95,739,933	
3.	Change in unearned premium reserves and reserve for rate credits .....	X X X		
4.	Fee-for-service (net of \$..... medical expenses) .....	X X X		
5.	Risk revenue .....	X X X		
6.	Aggregate write-ins for other health care related revenues .....	X X X	11,077,281	
7.	Aggregate write-ins for other non-health revenues .....	X X X		
8.	TOTAL revenues (Lines 2 to 7) .....	X X X	106,817,214	
Hospital and Medical:				
9.	Hospital/medical benefits .....		75,464,668	
10.	Other professional services .....			
11.	Outside referrals .....			
12.	Emergency room and out-of-area .....			
13.	Prescription drugs .....		20,624,689	
14.	Aggregate write-ins for other hospital and medical .....		237,314	
15.	Incentive pool, withhold adjustments and bonus amounts .....		678,752	
16.	Subtotal (Lines 9 to 15) .....		97,005,423	
Less:				
17.	Net reinsurance recoveries .....			
18.	TOTAL hospital and medical (Lines 16 minus 17) .....		97,005,423	
19.	Non-health claims .....			
20.	Claims adjustment expenses .....		3,189,757	
21.	General administrative expenses .....		8,425,733	
22.	Increase in reserves for life and accident and health contracts (including \$..... increase in reserves for life only) .....			
23.	TOTAL underwriting deductions (Lines 18 through 22) .....		108,620,913	
24.	Net underwriting gain or (loss) (Lines 8 minus 23) .....	X X X	(1,803,699)	
25.	Net investment income earned .....		208,343	
26.	Net realized capital gains or (losses) .....		(6)	
27.	Net investment gains or (losses) (Lines 25 plus 26) .....		208,337	
28.	Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....) (amount charged off \$.....)] .....			
29.	Aggregate write-ins for other income or expenses .....			
30.	Net income or (loss) before federal income taxes (Lines 24 plus 27 plus 28 plus 29) .....	X X X	(1,595,362)	
31.	Federal and foreign income taxes incurred .....	X X X		
32.	Net income (loss) (Lines 30 minus 31) .....	X X X	(1,595,362)	
DETAILS OF WRITE-INS				
0601.	HGH administrative fee receipts .....	X X X	7,585,318	
0602.	Quality Assurance Assessment Program revenue and assessments .....	X X X	3,491,963	
0603	.....	X X X		
0698.	Summary of remaining write-ins for Line 6 from overflow page .....	X X X		
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) .....	X X X	11,077,281	
0701	.....	X X X		
0702	.....	X X X		
0703	.....	X X X		
0798.	Summary of remaining write-ins for Line 7 from overflow page .....	X X X		
0799.	TOTALS (Line 0701 through 0703 plus 0798) (Line 7 above) .....	X X X		
1401.	Other Medical .....		237,314	
1402	.....			
1403	.....			
1498.	Summary of remaining write-ins for Line 14 from overflow page .....			
1499.	TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above) .....		237,314	
2901	.....			
2902	.....			
2903	.....			
2998.	Summary of remaining write-ins for Line 29 from overflow page .....			
2999.	TOTALS (Line 2901 through 2903 plus 2998) (Line 29 above) .....			

**STATEMENT OF REVENUE AND EXPENSES (Continued)**

		1	2
		Current Year	Prior Year
CAPITAL & SURPLUS ACCOUNT			
33.	Capital and surplus prior reporting year .....	1,000,000	
GAINS AND LOSSES TO CAPITAL & SURPLUS			
34.	Net income or (loss) from Line 32 .....	(1,595,362)	
35.	Change in valuation basis of aggregate policy and claim reserves .....		
36.	Net unrealized capital gains and losses .....	105,449	
37.	Change in net unrealized foreign exchange capital gain or (loss) .....		
38.	Change in net deferred income tax .....		
39.	Change in nonadmitted assets .....		
40.	Change in unauthorized reinsurance .....		
41.	Change in treasury stock .....		
42.	Change in surplus notes .....		
43.	Cumulative effect of changes in accounting principles .....		
44.	Capital Changes:		
44.1	Paid in .....		
44.2	Transferred from surplus (Stock Dividend) .....		
44.3	Transferred to surplus .....		
45.	Surplus adjustments:		
45.1	Paid in .....	7,271,167	1,000,000
45.2	Transferred to capital (Stock Dividend) .....		
45.3	Transferred from capital .....		
46.	Dividends to stockholders .....		
47.	Aggregate write-ins for gains or (losses) in surplus .....		
48.	Net change in capital and surplus (Lines 34 to 47) .....	5,781,254	1,000,000
49.	Capital and surplus end of reporting year (Line 33 plus 48) .....	6,781,254	1,000,000
DETAILS OF WRITE-INS			
4701	.....		
4702	.....		
4703	.....		
4798.	Summary of remaining write-ins for Line 47 from overflow page .....		
4799.	TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above) .....		

CASH FLOW

		1	2
		Current Year	Prior Year
Cash from Operations			
1.	Premiums collected net of reinsurance .....	94,962,264	
2.	Net investment income .....	182,974	
3.	Miscellaneous income .....	12,052,272	
4.	Total (Lines 1 through 3) .....	107,197,510	
5.	Benefit and loss related payments .....	93,584,751	
6.	Net transfers to Separate, Segregated and Protected Cell Accounts .....		
7.	Commissions, expenses paid and aggregate write-ins for deductions .....	11,571,492	
8.	Dividends paid to policyholders .....		
9.	Federal and foreign income taxes paid (recovered) \$...... net tax on capital gains (losses) .....		
10.	Total (Lines 5 through 9) .....	105,156,243	
11.	Net cash from operations (Lines 4 minus 10) .....	2,041,267	
Cash from Investments			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds .....		
12.2	Stocks .....	1,441	
12.3	Mortgage loans .....		
12.4	Real estate .....		
12.5	Other invested assets .....		
12.6	Net gains or (losses) on cash and short-term investments .....		
12.7	Miscellaneous proceeds .....		
12.8	Total investment proceeds (Lines 12.1 to 12.7) .....	1,441	
13.	Cost of investments acquired (long-term only):		
13.1	Bonds .....		
13.2	Stocks .....	4,460,957	
13.3	Mortgage loans .....		
13.4	Real estate .....		
13.5	Other invested assets .....	1,500,000	
13.6	Miscellaneous applications .....		
13.7	Total investments acquired (Lines 13.1 to 13.6) .....	5,960,957	
14.	Net increase (or decrease) in policy loans and premium notes .....		
15.	Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14) .....	(5,959,516)	
Cash from Financing and Miscellaneous Sources			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes .....		
16.2	Capital and paid in surplus, less treasury stock .....	8,324,360	1,000,000
16.3	Borrowed funds received .....		
16.4	Net deposits on deposit-type contracts and other insurance liabilities .....		
16.5	Dividends to stockholders .....		
16.6	Other cash provided (applied) .....	1,116,424	
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) .....	9,440,784	1,000,000
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS			
18.	Net change in cash and short-term investments (Line 11, plus Line 15, plus Line 17) .....	5,522,535	1,000,000
19.	Cash and short-term investments:		
19.1	Beginning of year .....	1,000,000	
19.2	End of year (Line 18 plus Line 19.1) .....	6,522,535	1,000,000

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

(Gain and Loss Exhibit)

		1	2	3	4	5	6	7	8	9	10	11	12	13
		Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employee Health Benefit Plan	Title XVIII- Medicare	Title XIX- Medicaid	Stop Loss	Disability Income	Long- term Care	Other Health	Other Non-Health
1.	Net premium income .....	95,739,933							95,739,933					
2.	Change in unearned premium reserves and reserve for rate credit .....													
3.	Fee-for-service (net of \$..... medical expenses) .....													X X X .....
4.	Risk revenue .....													X X X .....
5.	Aggregate write-ins for other health care related revenues .....	11,077,281							11,077,281					X X X .....
6.	Aggregate write-ins for other non-health care related revenues .....		X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	
7.	TOTAL revenues (Lines 1 to 6) .....	106,817,214							106,817,214					
8.	Hospital/medical benefits .....	75,464,668							75,464,668					X X X .....
9.	Other professional services .....													X X X .....
10.	Outside referrals .....													X X X .....
11.	Emergency room and out-of-area .....													X X X .....
12.	Prescription drugs .....	20,624,689							20,624,689					X X X .....
13.	Aggregate write-ins for other hospital and medical .....	237,314							237,314					X X X .....
14.	Incentive pool, withhold adjustments and bonus amounts .....	678,752							678,752					X X X .....
15.	Subtotal (Lines 8 to 14) .....	97,005,423							97,005,423					X X X .....
16.	Net reinsurance recoveries .....													X X X .....
17.	TOTAL hospital and medical (Lines 15 minus 16) .....	97,005,423							97,005,423					X X X .....
18.	Non-health claims (net) .....		X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	
19.	Claims adjustment expenses .....	3,189,757							3,189,757					
20.	General administrative expenses .....	8,425,733							8,425,733					
21.	Increase in reserves for accident and health contracts .....													X X X .....
22.	Increase in reserves for life contracts .....		X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	
23.	TOTAL underwriting deductions (Lines 17 to 22) .....	108,620,913							108,620,913					
24.	Net underwriting gain or (loss) (Line 7 minus Line 23) .....	(1,803,699)							(1,803,699)					
DETAILS OF WRITE-INS														
0501.	Administrative fee receipts from HGH .....	7,585,318							7,585,318					X X X .....
0502.	Quality Assurance Assessment Program revenue and assessment .....	3,491,963							3,491,963					X X X .....
0503	.....													X X X .....
0598.	Summary of remaining write-ins for Line 5 from overflow page .....													X X X .....
0599.	TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above) .....	11,077,281							11,077,281					X X X .....
0601	.....		X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	
0602	.....		X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	
0603	.....		X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	
0698.	Summary of remaining write-ins for Line 6 from overflow page .....		X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) .....		X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	
1301.	Other Medical .....	237,314							237,314					X X X .....
1302	.....													X X X .....
1303	.....													X X X .....
1398.	Summary of remaining write-ins for Line 13 from overflow page .....													X X X .....
1399.	TOTALS (Lines 1301 through 1303 plus 1398) (Line 13 above) .....	237,314							237,314					X X X .....

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 1 - PREMIUMS**

		1	2	3	4
Line of Business		Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Columns 1 + 2 - 3)
1.	Comprehensive (hospital and medical) .....	.....	.....	.....	.....
2.	Medicare Supplement .....	.....	.....	.....	.....
3.	Dental only .....	.....	.....	.....	.....
4.	Vision only .....	.....	.....	.....	.....
5.	Federal Employee Health Benefits Plan .....	.....	.....	.....	.....
6.	Title XVIII - Medicare .....	.....	.....	.....	.....
7.	Title XIX - Medicaid .....	95,794,911	.....	55,029	95,739,882
8.	Stop loss .....	.....	.....	.....	.....
9.	Disability income .....	.....	.....	.....	.....
10.	Long-term care .....	.....	.....	.....	.....
11.	Other health .....	.....	.....	.....	.....
12.	Health subtotal (Lines 1 through 11) .....	95,794,911	.....	55,029	95,739,882
13.	Life .....	.....	.....	.....	.....
14.	Property/casualty .....	.....	.....	.....	.....
15.	TOTALS (Lines 12 to 14) .....	95,794,911	.....	55,029	95,739,882



**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2 - Claims Incurred During the Year**

		1	2	3	4	5	6	7	8	9	10	11	12	13
		Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1.	Payments during the year:													
	1.1 Direct .....	92,759,081							92,759,081					
	1.2 Reinsurance assumed .....													
	1.3 Reinsurance ceded .....													
	1.4 Net .....	92,759,081							92,759,081					
2.	Paid medical incentive pools and bonuses .....	40,734							40,734					
3.	Claim liability December 31, current year from Part 2A:													
	3.1 Direct .....	3,567,590							3,567,590					
	3.2 Reinsurance assumed .....													
	3.3 Reinsurance ceded .....													
	3.4 Net .....	3,567,590							3,567,590					
4.	Claim reserve December 31, current year from Part 2D:													
	4.1 Direct .....													
	4.2 Reinsurance assumed .....													
	4.3 Reinsurance ceded .....													
	4.4 Net .....													
5.	Accrued medical incentive pools and bonuses, current year .....	552,512							552,512					
6.	Amounts recoverable from reinsurers December 31, current year .....													
7.	Claim liability December 31, prior year from Part 2A:													
	7.1 Direct .....													
	7.2 Reinsurance assumed .....													
	7.3 Reinsurance ceded .....													
	7.4 Net .....													
8.	Claim reserve December 31, prior year from Part 2D:													
	8.1 Direct .....													
	8.2 Reinsurance assumed .....													
	8.3 Reinsurance ceded .....													
	8.4 Net .....													
9.	Accrued medical incentive pools and bonuses, prior year .....													
10.	Amounts recoverable from reinsurers December 31, prior year .....													
11.	Incurred benefits:													
	11.1 Direct .....	96,326,671							96,326,671					
	11.2 Reinsurance assumed .....													
	11.3 Reinsurance ceded .....													
	11.4 Net .....	96,326,671							96,326,671					
12.	Incurred medical incentive pools and bonuses .....	593,246							593,246					

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2A - Claims Liability End of Current Year**

		1	2	3	4	5	6	7	8	9	10	11	12	13
		Total	Compre- hensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1.	Reported in Process of Adjustment:													
	1.1 Direct .....	1,231,661							1,231,661					
	1.2 Reinsurance assumed .....													
	1.3 Reinsurance ceded .....													
	1.4 Net .....	1,231,661							1,231,661					
2.	Incurred but Unreported:													
	2.1 Direct .....	2,016,805							2,016,805					
	2.2 Reinsurance assumed .....													
	2.3 Reinsurance ceded .....													
	2.4 Net .....	2,016,805							2,016,805					
3.	Amounts Withheld from Paid Claims and Capitations:													
	3.1 Direct .....	319,124							319,124					
	3.2 Reinsurance assumed .....													
	3.3 Reinsurance ceded .....													
	3.4 Net .....	319,124							319,124					
4.	TOTALS													
	4.1 Direct .....	3,567,590							3,567,590					
	4.2 Reinsurance assumed .....													
	4.3 Reinsurance ceded .....													
	4.4 Net .....	3,567,590							3,567,590					

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2B - ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE**

		Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5  Claims Incurred in Prior Years (Columns 1 + 3)	6  Estimated Claim Reserve and Claim Liability December 31 of Prior Year
		1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
Line of Business							
1.	Comprehensive (hospital and medical) .....	.....	.....	.....	.....	.....	.....
2.	Medicare Supplement .....	.....	.....	.....	.....	.....	.....
3.	Dental only .....	.....	.....	.....	.....	.....	.....
4.	Vision only .....	.....	.....	.....	.....	.....	.....
5.	Federal Employees Health Benefits Plan .....	.....	.....	.....	.....	.....	.....
6.	Title XVIII - Medicare .....	.....	.....	.....	.....	.....	.....
7.	Title XIX - Medicaid .....	.....	92,759,081	.....	3,567,590	.....	.....
8.	Other health .....	.....	.....	.....	.....	.....	.....
9.	Health subtotal (Lines 1 to 8) .....	.....	92,759,081	.....	3,567,590	.....	.....
10.	Other non-health .....	.....	.....	.....	.....	.....	.....
11.	Medical incentive pool and bonus amounts .....	.....	40,734	.....	552,512	.....	.....
12.	TOTALS (Lines 9 to 11) .....	.....	92,799,815	.....	4,120,102	.....	.....

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)**

**Grand Total**  
**Section A - Paid Health Claims**

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 1999	2 2000	3 2001	4 2002	5 2003
1.	Prior .....					
2.	1999 .....					
3.	2000 .....	X X X .....				
4.	2001 .....	X X X .....	X X X .....			
5.	2002 .....	X X X .....	X X X .....	X X X .....		
6.	2003 .....	X X X .....	X X X .....	X X X .....	X X X .....	92,759

**Section B - Incurred Health Claims**

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
		1 1999	2 2000	3 2001	4 2002	5 2003
1.	Prior .....					
2.	1999 .....					
3.	2000 .....	X X X .....				
4.	2001 .....	X X X .....	X X X .....			
5.	2002 .....	X X X .....	X X X .....	X X X .....		
6.	2003 .....	X X X .....	X X X .....	X X X .....	X X X .....	96,327

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in Which Premiums were Earned and Claims were Incurred		1  Premiums Earned	2  Claims Payments	3  Claim Adjustment Expense Payments	4  (Col. 3/2) Percent	5  Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6  (Col. 5/1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10  (Col. 9/1) Percent
1.	Prior to 1999 .....	X X X .....			X X X .....		X X X .....				X X X .....
2.	1999 .....										
3.	2000 .....										
4.	2001 .....										
5.	2002 .....										
6.	2003 .....	95,795	92,759	3,190	3.439	95,949	100.161	3,568	44	99,561	103.931
7.	TOTAL (Lines 1 through 6) .....	X X X .....	92,759	3,190	X X X .....	95,949	X X X .....	3,568	44	99,561	X X X .....
8.	TOTAL (Lines 2 through 6) .....	95,795	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....

12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Hospital and Medical. . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Hospital and Medical . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Hospital and Medical. . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Medicare Supplement . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Medicare Supplement . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Medicare Supplement . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Dental Only. . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Dental Only. . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Dental Only. . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Vision Only. . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Vision Only. . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Vision Only. . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Fed Emp HBPP. . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Fed Emp HBPP. . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Fed Emp HBPP. . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Title XVIII-Medicare . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Title XVIII-Medicare . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Title XVIII-Medicare . . . .	NONE

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)**

**Title XIX - Medicaid**  
**Section A - Paid Health Claims**

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 1999	2 2000	3 2001	4 2002	5 2003
1.	Prior .....					
2.	1999 .....					
3.	2000 .....	X X X .....				
4.	2001 .....	X X X .....	X X X .....			
5.	2002 .....	X X X .....	X X X .....	X X X .....		
6.	2003 .....	X X X .....	X X X .....	X X X .....	X X X .....	92,759

**Section B - Incurred Health Claims**

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
		1 1999	2 2000	3 2001	4 2002	5 2003
1.	Prior .....					
2.	1999 .....					
3.	2000 .....	X X X .....				
4.	2001 .....	X X X .....	X X X .....			
5.	2002 .....	X X X .....	X X X .....	X X X .....		
6.	2003 .....	X X X .....	X X X .....	X X X .....	X X X .....	96,327

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in Which Premiums were Earned and Claims were Incurred		1  Premiums Earned	2  Claims Payments	3  Claim Adjustment Expense Payments	4  (Col. 3/2) Percent	5  Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6  (Col. 5/1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10  (Col. 9/1) Percent
1.	Prior to 1999 .....	X X X .....			X X X .....		X X X .....				X X X .....
2.	1999 .....										
3.	2000 .....										
4.	2001 .....										
5.	2002 .....										
6.	2003 .....	95,795	92,759	3,190	3.439	95,949	100.161	3,568	44	99,561	103.931
7.	TOTAL (Lines 1 through 6) .....	X X X .....	92,759	3,190	X X X .....	95,949	X X X .....	3,568	44	99,561	X X X .....
8.	TOTAL (Lines 2 through 6) .....	95,795	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....	X X X .....

**12      Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Other . . . . . NONE**

**12      Underwriting Invest Exh Pt 2C Sn B - Incur Claims - Other. . . . . NONE**

**12      Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Other. . . . . NONE**

**13      Underwriting Invest Exh Pt 2D - A & H Reserve - . . . . . NONE**

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 3 - ANALYSIS OF EXPENSES**

	1	2	3	4
	Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1. Rent (\$..... for occupancy of own building) .....		46,850		46,850
2. Salaries, wages and other benefits .....	2,087,818	5,333,252		7,421,070
3. Commissions (less \$..... ceded plus \$..... assumed) ...		255,642		255,642
4. Legal fees and expenses .....		93,471		93,471
5. Certifications and accreditation fees .....				
6. Auditing, actuarial and other consulting services .....		126,998		126,998
7. Traveling expenses .....	12,299	126,921		139,220
8. Marketing and advertising .....	161	383,883		384,044
9. Postage, express and telephone .....	99,375	235,331		334,706
10. Printing and office supplies .....	27,352	263,794		291,146
11. Occupancy, depreciation and amortization .....		274,104		274,104
12. Equipment .....		60,346		60,346
13. Cost or depreciation of EDP equipment and software .....		462,277		462,277
14. Outsourced services including EDP, claims, and other services .....	788,825	77,387		866,212
15. Boards, bureaus and association fees .....	6,936	77,312		84,248
16. Insurance, except on real estate .....		114,079		114,079
17. Collection and bank service charges .....		16,373	22,809	39,182
18. Group service and administration fees .....				
19. Reimbursements by uninsured accident and health plans .....				
20. Reimbursements from fiscal intermediaries .....				
21. Real estate expenses .....				
22. Real estate taxes .....		42,804		42,804
23. Taxes, licenses and fees:				
23.1 State and local insurance taxes .....				
23.2 State premium taxes .....				
23.3 Regulator authority licenses and fees .....				
23.4 Payroll taxes .....	154,274	299,378		453,652
23.5 Other (excluding federal income and real estate taxes) .....		940		940
24. Investment expenses not included elsewhere .....				
25. Aggregate write-ins for expenses .....	12,717	134,591		147,308
26. Total expenses incurred (Lines 1 to 25) .....	3,189,757	8,425,733	22,809	(a) 11,638,299
27. Less expenses unpaid December 31, current year .....				
28. Add expenses unpaid December 31, prior year .....				
29. Amounts receivable relating to uninsured accident and health plans, prior year .....				
30. Amounts receivable relating to uninsured accident and health plans, current year .....				
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30) .	3,189,757	8,425,733	22,809	11,638,299
<b>DETAILS OF WRITE-INS</b>				
2501. Conferences, Seminars and Training .....	11,844	55,690		67,534
2502. Charitable Contritutions .....		57,270		57,270
2503. Interest Expense on Late Claims .....	873			873
2598. Summary of remaining write-ins for Line 25 from overflow page .....		21,631		21,631
2599. Totals (Lines 2501 through 2503 + 2598)(Line 25 above) .....	12,717	134,591		147,308

(a) Includes management fees of \$.....11,606,197 to affiliates and \$..... to non-affiliates.



EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. Government bonds .....	(a).....	.....
1.1	Bonds exempt from U.S. tax .....	(a).....	.....
1.2	Other bonds (unaffiliated) .....	(a).....	.....
1.3	Bonds of affiliates .....	(a).....	.....
2.1	Preferred stocks (unaffiliated) .....	(b).....	.....
2.11	Preferred stocks of affiliates .....	(b).....	.....
2.2	Common stocks (unaffiliated) .....	132,004	151,478
2.21	Common stocks of affiliates .....	.....	.....
3.	Mortgage loans .....	(c).....	.....
4.	Real estate .....	(d).....	.....
5.	Contract loans .....	.....	.....
6.	Cash/short-term investments .....	(e)..... 45,843	51,738
7.	Derivative instruments .....	(f).....	.....
8.	Other invested assets .....	.....	.....
9.	Aggregate write-ins for investment income .....	27,935	27,935
10.	Total gross investment income .....	205,782	231,151
11.	Investment expenses .....		(g)..... 22,809
12.	Investment taxes, licenses and fees, excluding federal income taxes .....		(g).....
13.	Interest expense .....		(h).....
14.	Depreciation on real estate and other invested assets .....		(i).....
15.	Aggregate write-ins for deductions from investment income .....		.....
16.	Total deductions (Lines 11 through 15) .....		22,809
17.	Net Investment income (Line 10 minus Line 16) .....		208,342
DETAILS OF WRITE-INS			
0901.	Investment fee rebates .....	27,935	27,935
0902	.....	.....	.....
0903	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....	.....
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above) .....	27,935	27,935
1501	.....	.....	.....
1502	.....	.....	.....
1503	.....	.....	.....
1598.	Summary of remaining write-ins for Line 15 from overflow page .....	.....	.....
1599.	TOTALS (Lines 1501 through 1503 plus 1598) (Line 15, above) .....	.....	.....

- (a) Includes \$..... accrual of discount less \$..... amortization of premium and less \$..... paid for accrued interest on purchases.
- (b) Includes \$..... accrual of discount less \$..... amortization of premium and less \$..... paid for accrued dividends on purchases.
- (c) Includes \$..... accrual of discount less \$..... amortization of premium and less \$..... paid for accrued interest on purchases.
- (d) Includes \$..... for company's occupancy of its own buildings; and excluding \$..... interest on encumbrances.
- (e) Includes \$..... accrual of discount less \$..... amortization of premium and less \$..... paid for accrued interest on purchases.
- (f) Includes \$..... accrual of discount less \$..... amortization of premium.
- (g) Includes \$..... investment expenses and \$..... investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$..... interest on surplus notes and \$..... interest on capital notes.
- (i) Includes \$..... depreciation on real estate and \$..... depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4	5
		Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Increases (Decreases) by Adjustment	Net Gain (Loss) from Change in Difference Between Basis Book/Adjusted Carrying and Admitted Values	Total
1.	U.S. Government bonds .....	.....	.....	.....	.....	.....
1.1	Bonds exempt from U.S. tax .....	.....	.....	.....	.....	.....
1.2	Other bonds (unaffiliated) .....	.....	.....	.....	.....	.....
1.3	Bonds of affiliates .....	.....	.....	.....	.....	.....
2.1	Preferred stocks (unaffiliated) .....	.....	.....	.....	.....	.....
2.11	Preferred stocks of affiliates .....	.....	.....	.....	.....	.....
2.2	Common stocks (unaffiliated) .....	(6)	.....	515,116	.....	515,110
2.21	Common stocks of affiliates .....	.....	.....	.....	.....	.....
3.	Mortgage loans .....	.....	.....	.....	.....	.....
4.	Real estate .....	.....	.....	.....	.....	.....
5.	Contract loans .....	.....	.....	.....	.....	.....
6.	Cash/short-term investments .....	.....	.....	.....	.....	.....
7.	Derivative instruments .....	.....	.....	.....	.....	.....
8.	Other invested assets .....	.....	.....	(409,667)	.....	(409,667)
9.	Aggregate write-ins for capital gains (losses) .....	.....	.....	.....	.....	.....
10.	Total capital gains (losses) .....	(6)	.....	105,449	.....	105,443
DETAILS OF WRITE-INS						
0901	.....	.....	.....	.....	.....	.....
0902	.....	.....	.....	.....	.....	.....
0903	.....	.....	.....	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....	.....	.....	.....	.....
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above) .....	.....	.....	.....	.....	.....

**EXHIBIT 1 - ANALYSIS OF NONADMITTED ASSETS AND RELATED ITEMS**

		1 End of Current Year	2 End of Prior Year	3 Changes for Year (Increase) or Decrease
1.	Summary of items Page 2, Lines 12 to 20, Column 2 .....			
2.	Other Nonadmitted Assets:			
2.1	Bills receivable .....			
2.2	Leasehold improvements .....			
2.3	Cash advanced to or in the hands of officers and agents .....			
2.4	Loans on personal security, endorsed or not .....			
2.5	Commuted commissions .....			
3.	Total (Lines 2.1 to 2.5) .....			
4.	Aggregate write-ins for other assets .....			
5.	TOTAL (Line 1 plus Line 3 and Line 4) .....			
DETAILS OF WRITE-INS				
0401	.....			
0402	.....			
0403	.....			
0498.	Summary of remaining write-ins for Line 4 from overflow page .....			
0499.	TOTALS (Lines 0401 through 0403 plus 0498) (Line 4 above) .....			

NONE

**EXHIBIT 2 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY**

Source of Enrollment		Total Members at End of					6
		1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	Current Year Member Months
1.	Health Maintenance Organizations .....		55,519	55,417	56,963	57,275	672,561
2.	Provider Service Organizations .....						
3.	Preferred Provider Organizations .....						
4.	Point of Service .....						
5.	Indemnity Only .....						
6.	Aggregate write-ins for other lines of business .....						
7.	TOTAL .....		55,519	55,417	56,963	57,275	672,561
DETAILS OF WRITE-INS							
0601	.....						
0602	.....						
0603	.....						
0698.	Summary of remaining write-ins for Line 6 from overflow page .....						
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) .....						

## Notes to Financial Statement

### 1. Significant Accounting Policies

#### A. Basis of Presentation

The accompanying financial statements of HealthPlus Partners, Inc. (the Company) have been prepared in conformity with the 2003 NAIC Annual Statement Instructions and the NAIC Accounting Practices and Procedures Manual effective January 1, 2001, to the extent that the accounting practices, procedures, and reporting standards are not modified by the Michigan Insurance Code or the 2003 Forms and Instructions for Required Filings in Michigan.

#### B. Management Estimates

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

#### C. Accounting Policy

Premium revenue is recognized in the month that members are entitled to health care services. The liability for incurred medical and hospital claims is accrued in the period during which the services are provided and includes estimates of services performed, which have not been reported to the Company.

In addition, the company uses the following accounting policies:

- 1) Short Term Investments are stated at amortized cost.
- 2) The Company has no long-term bonds.
- 3) Common Stocks are reported at market value.
- 4) The Company has no Preferred Stocks to report.
- 5) The Company has no mortgage loans to report.
- 6) The Company has no Loan Backed Securities.
- 7) The Company carries its investment in HGH, Inc. at audited GAAP equity.
- 8) The Company has no ownership interests in joint ventures or limited liability companies.
- 9) The Company has no derivatives to report.
- 10) The Company has not calculated any premium deficiency reserves.
- 11) Unpaid claims include amounts determined from individual case estimates and amounts based on past experiences, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments are reflected in the period determined.

### 2. Accounting Changes and Corrections of Errors

#### A. Accounting changes and corrections of errors.

The Company did not discover any material errors or make any material changes in accounting principles in the reporting year 2003.

#### B. Cumulative effect of changes in accounting principles as a result of the initial implementation of Codification.

The Company began operations on January 1, 2003, and therefore did not realize any cumulative effect of the implementation of the NAIC Accounting Practices and Procedures Manual effective January 1, 2001 (Codification).

## Notes to Financial Statement

### 3. Business Combinations and Goodwill

None.

### 4. Discontinued Operations

None.

### 5. Investments – Mortgage Loans, Debt Restructuring, Reverse Mortgages, Loan-Backed Securities, Repurchase Agreements

None.

### 6. Joint Ventures, Partnerships and Limited Liability Companies

None.

### 7. Investment Income

The Company does not exclude any investment income due and accrued.

### 8. Derivative Instruments

None.

### 9. Income Taxes

The Company will be applying for exemption from Federal income tax under Internal Revenue Code Section 501(c)(4).

### 10. Information Concerning Parent, Subsidiaries and Affiliates

HealthPlus Partners, Inc. is a wholly owned subsidiary of HealthPlus of Michigan Inc. The Company began operations January 1, 2003.

The Company is a part owner (30.3% interest) of a non-profit corporation, HGH, Inc., with certain hospital providers in the greater Flint region for the purpose of providing services to Medicaid members. The Company also has negotiated reimbursement for its administrative services, excluding claims processing services, to the members of HGH. These reimbursements amounted to approximately \$7,600,000 in 2003 and are reflected as other health care related revenue on the Statement of Revenue and Expenses.

Premium revenues for HGH Medicaid members are transferred from HealthPlus Partners, Inc. to HGH, Inc. when collected from the Michigan Department of Community Health. These revenues are used to reimburse providers for services to Medicaid members and HealthPlus Partners, Inc. for administrative services.

In the event that HGH, Inc. is unable to arrange to provide services to the Medicaid membership under the sub-contract, the Company would be responsible for the provision and payment of such services so long as the contract between the Michigan Department of Community Health and the Company remains in effect.

The investment in HGH is accounted for under the GAAP equity method, and the Company has recorded approximately \$410,000 as its share of the operating loss of HGH, Inc. in 2003.

HealthPlus Partners, Inc. has also entered into agreements with its parent, HealthPlus of Michigan, Inc. for administrative services, and HealthPlus of Michigan, Inc.'s subsidiary HealthPlus Options, Inc. for claims processing services for both HGH, Inc. and non-HGH, Inc. members. These services amounted to approximately \$10,500,000 and \$1,100,000 respectively in 2003.

**Notes to Financial Statement**

11. Debt

None.

12. Retirement Plan

None.

13. Capital and Surplus, Shareholders’ Dividend Restrictions and Quasi-Reorganizations

The Company has no Shareholder’s Dividend Restrictions or Quasi-Reorganizations to report.

The portion of unassigned funds (surplus) represented or reduced by each item below is as follows:

- a. unrealized gains and losses: \$105,449
- b. nonadmitted asset values: \$0

Unrealized gains and losses consist of the following:

Unrealized gains/(losses) on stocks	\$ 515,116
Unrealized gain/(loss) on HGH, Inc.	<u>(409,667)</u>
	\$ <u>105,449</u>

14. Contingencies

In the normal course of business, HealthPlus Partners, Inc. is a party to certain legal matters. Management is of the opinion that resolution of these matters will not have a material effect on the Company’s financial position or results of operations.

15. Leases

None.

16. Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk

None.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

None.

18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

None.

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

None.

20. Other Items

The Company has no extraordinary items or other disclosures to report.

21. Events Subsequent

There were no events subsequent to the close of the books or accounts for this statement which may have a material effect on the financial condition of the Company.

## Notes to Financial Statement

### 22. Reinsurance

#### A. Ceded Reinsurance Report

##### Section 1 – General Interrogatories

- (1) Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the company or by any representative, officer, trustee, or director of the Company?  
Yes ( )      No (x)
- (2) Have any policies issued by the company been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or an insured or any other person not primarily engaged in the insurance business?  
Yes ( )      No (x)

##### Section 2 – Ceded Reinsurance Report – Part A

- (1) Does the company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credit?  
Yes (x)      No ( )
- a. If yes, what is the estimated amount of the aggregate reduction in surplus of a unilateral cancellation by the reinsurer as of the date of this statement, for those agreements in which cancellation results in a net obligation of the reporting entity to the reinsurer, and for which such obligation is not presently accrued? Where necessary, the reporting entity may consider the current or anticipated experience of the business reinsured in making this estimate.  
\$ 0.
- b. What is the total amount of reinsurance credits taken, whether as an asset or as a reduction of liability for these agreements in this statement?  
\$ 0.
- (3) Does the reporting entity have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies?  
Yes ( )      No (x)

##### Section 3 – Ceded Reinsurance – Part B

- (1) What is the estimated amount of the aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of premium or other similar credits that are reflected in section 2 above) of termination of ALL reinsurance agreements, by either party, as of the date of this statement? Where necessary, the company may consider the current or anticipated experience of the business reinsured in making this estimate.  
\$ 0.

Notes to Financial Statement

(2) Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the company as of the effective date of the agreement?  
Yes ( )                      No (x)

B.      Uncollectible Reinsurance  
  
None.

C.      Commutation of Ceded Reinsurance  
  
None.

23. Retrospectively Rated Contracts and Contracts Subject to Redetermination  
  
None.

24. Change in Incurred Claims and Claim Adjustment Expenses  
  
The Company had no incurred claims attributable to insured events of prior years.

25. Intercompany Pooling Arrangements  
  
None.

26. Structured Settlements  
  
Not applicable.

27 Health Care Receivables  
  
(a) Pharmaceutical Rebate Receivables  
  
None.

(b) Risk Sharing Receivables

Calendar Year	Evaluation Period Year Ending	Risk Sharing Receivable as Estimated And Reported in the Prior Year	Risk Sharing Receivable as Estimated And Reported in the Current Year	Risk Sharing Receivable Invoiced	Risk Sharing Receivable Not Invoiced	Actual Risk Sharing Amounts Collected in Year Invoiced	Actual Risk Sharing Amounts Collected First Year Subsequent	Actual Risk Sharing Amounts Collected Second Year Subsequent	Actual Risk Sharing Amounts Collected – All Other
2003	2003		350,108						
	2004								

28. Participating Policies  
  
None.

29. Premium Deficiency Reserves  
  
None.



**Notes to Financial Statement**

30. Salvage and Subrogation

The Company does not specifically identify anticipated salvage and subrogation amounts when calculating loss reserves.

**SUMMARY INVESTMENT SCHEDULE**

Investment Categories		Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
		1 Amount	2 Percentage	3 Amount	4 Percentage
1.	Bonds:				
1.1	U.S. treasury securities .....				
1.2	U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21	Issued by U.S. government agencies .....				
1.22	Issued by U.S. government sponsored agencies .....				
1.3	Foreign government (including Canada, excluding mortgage-backed securities) .....				
1.4	Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41	States, territories and possessions general obligations .....				
1.42	Political subdivisions of states, territories and possessions and political subdivisions general obligations .....				
1.43	Revenue and assessment obligations .....				
1.44	Industrial development and similar obligations .....				
1.5	Mortgage-backed securities (includes residential and commercial MBS):				
1.51	Pass-through securities:				
1.511	Guaranteed by GNMA .....				
1.512	Issued by FNMA and FHLMC .....				
1.513	Privately issued .....				
1.52	CMOs and REMICs:				
1.521	Issued by FNMA and FHLMC .....				
1.522	Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA, or FHLMC .....				
1.523	All other privately issued .....				
2.	Other debt and other fixed income securities (excluding short term):				
2.1	Unaffiliated domestic securities (includes credit tenant loans rated by the SVO) .....				
2.2	Unaffiliated foreign securities .....				
2.3	Affiliated securities .....				
3.	Equity interests:				
3.1	Investments in mutual funds .....				
3.2	Preferred stocks:				
3.21	Affiliated .....				
3.22	Unaffiliated .....				
3.3	Publicly traded equity securities (excluding preferred stocks):				
3.31	Affiliated .....				
3.32	Unaffiliated .....	4,974,626	43.129	4,974,626	43.129
3.4	Other equity securities:				
3.41	Affiliated .....				
3.42	Unaffiliated .....				
3.5	Other equity interests including tangible personal property under lease:				
3.51	Affiliated .....				
3.52	Unaffiliated .....				
4.	Mortgage loans:				
4.1	Construction and land development .....				
4.2	Agricultural .....				
4.3	Single family residential properties .....				
4.4	Multifamily residential properties .....				
4.5	Commercial loans .....				
4.6	Mezzanine real estate loans .....				
5.	Real estate investments:				
5.1	Property occupied by company .....				
5.2	Property held for production of income (includes \$..... of property acquired in satisfaction of debt) .....				
5.3	Property held for sale (\$..... including property acquired in satisfaction of debt) .....				
6.	Policy loans .....				
7.	Receivables for securities .....				
8.	Cash and short-term investments .....	6,522,535	56.549	6,522,535	56.549
9.	Other invested assets .....	37,140	0.322	37,140	0.322
10.	Total invested assets .....	11,534,301	100.000	11,534,301	100.000

**GENERAL INTERROGATORIES**  
**PART 1 - COMMON INTERROGATORIES**  
**GENERAL**

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes[X] No[ ]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes[X] No[ ] N/A[ ]  
..... Michigan .....
- 1.3 State Regulating?
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes[X] No[ ]
- 2.2 If yes, date of change:  
If not previously filed, furnish herewith a certified copy of the instrument as amended.

..... 12/04/2003 .....
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made.

.....
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

.....
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

.....
- 3.4 By what department or departments?
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business?

Yes[ ] No[X]
- 4.12 renewals?

Yes[ ] No[X]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business?

Yes[ ] No[X]
- 4.22 renewals?

Yes[ ] No[X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes[ ] No[X]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile
.....	.....	.....

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action either formal or informal, if a confidentiality clause is part of the agreement)

Yes[ ] No[X]
- 6.2 If yes, give full information:
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes[ ] No[X]
- 7.2 If yes,
- 7.21 State the percentage of foreign control

..... %
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact)

1	2
Nationality	Type of Entity
.....	.....

**GENERAL INTERROGATORIES (continued)**

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes[ ] No[X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms?

Yes[ ] No[X]
- 8.4 If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e., the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC
.....	.....	.. Yes[ ] No[X] ..	.. Yes[ ] No[X] ..	.. Yes[ ] No[X] ..	.. Yes[ ] No[X] ..	.. Yes[ ] No[X] ..

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

Ernst & Young, LLP, Suite 1700, 500 Woodward, Detroit, MI, 48226
10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with a(n) actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

Michael J. Cellini, ASA, MAAA, Ernst & Young, LLP, 5 Times Square, New York, NY, 10036
11. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 11.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 11.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes[ ] No[X]
- 11.3 Have there been any changes made to any of the trust indentures during the year?

Yes[ ] No[X]
- 11.4 If answer to (11.3) is yes, has the domiciliary or entry state approved the changes?

Yes[ ] No[ ] N/A[X]

**BOARD OF DIRECTORS**

12. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof?

Yes[ ] No[X]
13. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof?

Yes[X] No[ ]
14. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees which is in or is likely to conflict with the official duties of such person?

Yes[X] No[ ]

**FINANCIAL**

- 15.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 15.11 To directors or other officers

\$ .....
- 15.12 To stockholders not officers

\$ .....
- 15.13 Trustees, supreme or grand (Fraternal only)

\$ .....
- 15.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 15.21 To directors or other officers

\$ .....
- 15.22 To stockholders not officers

\$ .....
- 15.23 Trustees, supreme or grand (Fraternal only)

\$ .....
- 16.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

Yes[ ] No[X]
- 16.2 If yes, state the amount thereof at December 31 of the current year:
- 16.21 Rented from others

\$ .....
- 16.22 Borrowed from others

\$ .....
- 16.23 Leased from others

\$ .....
- 16.24 Other

\$ .....
- Disclose in Notes to Financial the nature of each obligation.
- 17.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

Yes[ ] No[X]
- 17.2 If answer is yes:
- 17.21 Amount paid as losses or risk adjustment

\$ .....
- 17.22 Amount paid as expenses

\$ .....
- 17.23 Other amounts paid

\$ .....

**GENERAL INTERROGATORIES (continued)**

**INVESTMENT**

18. List the following capital stock information for the reporting entity:

		1	2	3	4	5	6
Class		Number of Shares Authorized	Number of Shares Outstanding	Par Value Per Share	Redemption Price If Callable	Is Dividend Rate Limited?	Are Dividends Cumulative?
1.	Preferred .....	.....	.....	.....	.....	Yes[ ] No[ ] N/A[X]	Yes[ ] No[ ] N/A[X]
2.	Common .....	.....	.....	.....	..... X X X .....	..... X X X .....	..... X X X .....

19.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 3 - Special Deposits?

Yes[X] No[ ]

19.2 If no, give full and complete information, relating thereto:

20.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on Schedule E - Part 3 - Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 16.1).

Yes[ ] No[X]

20.2 If yes, state the amount thereof at December 31 of the current year:

20.21 Loaned to others

20.22 Subject to repurchase agreements

20.23 Subject to reverse repurchase agreements

20.24 Subject to dollar repurchase agreements

20.25 Subject to reverse dollar repurchase agreements

20.26 Pledged as collateral

20.27 Placed under option agreements

20.28 Letter stock or securities restricted as to sale

20.29 Other

\$ .....

\$ .....

\$ .....

\$ .....

\$ .....

\$ .....

\$ .....

\$ .....

\$ .....

20.3 For each category above, if any of these assets are held by other, identify by whom held:

- 20.31
- 20.32
- 20.33
- 20.34
- 20.35
- 20.36
- 20.37
- 20.38
- 20.39

For categories (20.21) and (20.23) above, and for any securities that were made available for use by another person during the period covered by this statement, attach a schedule as shown in the instructions to the annual statement.

20.4 For category (20.28) provide the following:

1	2	3
Nature of Restriction	Description	Amount
.....	.....	.....

21.1 Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes[ ] No[X]

21.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?

Yes[ ] No[ ] N/A[X]

If no, attach a description with this statement.

22.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes[ ] No[X]

22.2 If yes, state the amount thereof at December 31 of the current year.

\$ .....

**GENERAL INTERROGATORIES (continued)**

**INVESTMENT**

23. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV.H - Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook?
- 23.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:
- Yes[X] No[ ]

1 Name of Custodian(s)	2 Custodian's Address
Citizens Bank Wealth Management .....	328 S. Saginaw St. Flint, MI 48502 .....
Bank One Trust Company, N.A. ....	611 Woodward Ave. Detroit, MI 48226 .....

- 23.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
.....	.....	.....

- 23.03 Have there been any changes, including name changes, in the custodian(s) identified in 23.01 during the current year?
- 23.04 If yes, give full and complete information relating thereto:
- Yes[X] No[ ]

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
.....	Citizens Bank Wealth Managment .....	. 09/26/2003 .	Established new account .....

- 23.05 Identify all investment advisers, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
111223 .....	Citizens Bank Wealth Management .....	328 S. Saginaw St. Flint, MI 48502 .....
.....	Bank One Trust Company, N.A. ....	611 Woodward Ave. Detroit, MI 48226 ....

- 24.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b)(1)])?
- 24.2 If yes, complete the following schedule:
- Yes[X] No[ ]

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
..... 68231N743 ....	One Group Bond Fund .....	..... 2,669,438
..... 681937835 ....	One Group Equity Index Fund .....	..... 2,305,188
24.2999 Total .....		..... 4,974,626

- 24.3 For each mutual fund listed in the table above, complete the following schedule:

1  Name of Mutual Fund (from above table)	2  Name of Significant Holding of the Mutual Fund	3  Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4  Date of Valuation
One Group Bond Fund .....	One Group Prime Money Market Fund, Class 1 .....	..... 82,486	..... 12/31/2003
One Group Bond Fund .....	US Treasury Bonds, 12.0% 8/15/2013 .....	..... 80,617	..... 12/31/2003
One Group Bond Fund .....	US Treasury Bonds, 12.75% 11/15/2010 .....	..... 79,282	..... 12/31/2003
One Group Bond Fund .....	US Treasury Bonds 10/38% 11/15/2012 .....	..... 52,054	..... 12/31/2003
One Group Bond Fund .....	US Treasury Notes, 6.5% 2/15/2010 .....	..... 36,838	..... 12/31/2003
One Group Equity Index Fund .....	General Electric Co. ....	..... 69,156	..... 12/31/2003
One Group Equity Index Fund .....	Microsoft Corp. ....	..... 66,850	..... 12/31/2003
One Group Equity Index Fund .....	Exxon-Mobil Corp. ....	..... 59,935	..... 12/31/2003
One Group Equity Index Fund .....	Pfizer, Inc. ....	..... 59,935	..... 12/31/2003
One Group Equity Index Fund .....	Citigroup, Inc. ....	..... 55,325	..... 12/31/2003

**GENERAL INTERROGATORIES (Continued)**

**OTHER**

25.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any?

25.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

\$ .....

1 Name	2 Amount Paid
.....	.....

26.1 Amount of payments for legal expenses, if any?

26.2 List the name of the firm and the amount paid if any such payments represented 25% or more of the total payments for legal expenses during the period covered by this statement.

\$ .....

1 Name	2 Amount Paid
.....	.....

27.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or department of government, if any?

27.2 List the name of firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies officers or department of government during the period covered by this statement.

\$ .....

1 Name	2 Amount Paid
.....	.....

**GENERAL INTERROGATORIES (continued)**

**PART 2 - HEALTH INTERROGATORIES**

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes[ ] No[X]
- 1.2 If yes, indicate premium earned on U.S. business only:

\$
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$
- 1.31 Reason for excluding:
- 1.4 Indicate amount of premium earned attributable to Canadian and/or Other Alien not included in Item (1.2) above.

\$
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance.

\$
- 1.6 Individual policies - Most current three years:
- 1.61 Total premium earned

\$
- 1.62 Total incurred claims

\$
- 1.63 Number of covered lives

\$
- All years prior to most current three years:
- 1.64 Total premium earned

\$
- 1.65 Total incurred claims

\$
- 1.66 Number of covered lives

\$
- 1.7 Group policies - Most current three years:
- 1.71 Total premium earned

\$
- 1.72 Total incurred claims

\$
- 1.73 Number of covered lives

\$
- All years prior to most current three years:
- 1.74 Total premium earned

\$
- 1.75 Total incurred claims

\$
- 1.76 Number of covered lives

\$

2. Health Test

		1	2
		Current Year	Prior Year
2.1	Premium Numerator .....	95,739,933	.....
2.2	Premium Denominator .....	95,739,933	.....
2.3	Premium Ratio (2.1 / 2.2) .....	1.000	.....
2.4	Reserve Numerator .....	4,120,102	.....
2.5	Reserve Denominator .....	4,120,101	.....
2.6	Reserve Ratio (2.4 / 2.5) .....	1.000	.....

- 3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes[ ] No[X]
- 3.2 If yes, give particulars:
- 4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and departments been filed with the appropriate regulatory agency?

Yes[X] No[ ]
- 4.2 If not previously filed furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes[ ] No[X]
- 5.1 Does the reporting entity have stop-loss reinsurance?

Yes[X] No[ ]
- 5.2 If no, explain:
- 5.3 Maximum retained risk (see instructions):
- 5.31 Comprehensive Medical

\$ ..... 550,000
- 5.32 Medical Only

\$
- 5.33 Medicare Supplement

\$
- 5.34 Dental

\$
- 5.35 Other Limited Benefit Plan

\$
- 5.36 Other

\$
6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

Provider contracts provide for continuation of services and hold-harmless language. An insolvency rider is also in place.
- 7.1 Does the reporting entity set up its claim liability for provider services on a service data base?

Yes[X] No[ ]
- 7.2 If no, give details:
8. Provide the following information regarding participating providers:
- 8.1 Number of providers at start of reporting year

..... 0
- 8.2 Number of providers at end of reporting year

..... 1056
- 9.1 Does the reporting entity have business subject to premium rate guarantees?

Yes[ ] No[X]
- 9.2 If yes, direct premium earned:
- 9.21 Business with rate guarantees between 15-36 months

..... 0
- 9.22 Business with rate guarantees over 36 months

..... 0



**GENERAL INTERROGATORIES (continued)**  
**PART 2 - HEALTH INTERROGATORIES**

- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts?

Yes☒ No☐
- 10.2 If yes:

10.21 Maximum amount payable bonuses

\$ ..... 552,512

10.22 Amount actually paid for year bonuses

\$ .....

10.23 Maximum amount payable withholds

\$ ..... 319,124

10.24 Amount actually paid for year withholds

\$ .....
- 11.1 Is the reporting entity organized as:

11.12 A medical Group/Staff Model,

Yes☐ No☒

11.13 An Individual Practice Association (IPA), or,

Yes☐ No☒

11.14 A Mixed Model (combination of above)?

Yes☒ No☐
- 11.2 Is the reporting entity subject to Minimum Net Worth Requirements?

Yes☒ No☐
- 11.3 If yes, show the name of the state requiring such net worth.

Michigan
- 11.4 If yes, show the amount required.

\$ ..... 3,829,597
- 11.5 Is this amount included as part of a contingency reserve in stockholder's equity?

Yes☐ No☒
- 11.6 If the amount is calculated, show the calculation.

The greater of \$1,500,000, four percent of subscription revenue, or three month's uncovered expenditures
12. List service areas in which the reporting entity is licensed to operate:

1
Name of Service Area
Bay County, MI .....
Genesee County, MI .....
Lapeer County, MI .....
Saginaw County, MI .....
Shiawassee County, MI .....
Tuscola County, MI .....
Portions of Oakland County, MI .....

FIVE-YEAR HISTORICAL DATA

	1 2003	2 2002	3 2001	4 2000	5 1999
<b>BALANCE SHEET ITEMS (Pages 2 and 3)</b>					
1. Total admitted assets (Page 2, Line 26) .....	13,169,290	1,000,000			
2. Total liabilities (Page 3, Line 22) .....	6,388,036				
3. Statutory surplus .....	3,829,597	1,500,000			
4. Total capital and surplus (Page 3, Line 30) .....	6,781,254	1,000,000			
<b>INCOME STATEMENT ITEMS (Page 4)</b>					
5. Total revenues (Line 8) .....	106,817,214				
6. Total medical and hospital expenses (Line 18) .....	97,005,423				
7. Total administrative expenses (Line 21) .....	8,425,733				
8. Net underwriting gain (loss) (Line 24) .....	(1,803,699)				
9. Net investment gain (loss) (Line 27) .....	208,337				
10. Total other income (Lines 28 plus 29) .....					
11. Net income or (loss) (Line 32) .....	(1,595,362)				
<b>RISK-BASED CAPITAL ANALYSIS</b>					
12. Total adjusted capital .....	6,781,254	1,000,000			
13. Authorized control level risk-based capital .....	2,793,425				
<b>ENROLLMENT (Exhibit 2)</b>					
14. Total members at end of period (Column 5, Line 7) .....	57,275				
15. Total members months (Column 6, Line 7) .....	672,561				
<b>OPERATING PERCENTAGE (Page 4)</b>					
<b>(Item divided by Page 4, sum of Lines 2, 3 and 5)</b>					
16. Premiums earned (Lines 2 plus 3) .....	100.0	100.0	100.0	100.0	100.0
17. Total hospital and medical (Line 18) .....	90.8				
18. Total underwriting deductions (Line 23) .....	101.7				
19. Total underwriting gain (loss) (Line 24) .....	(1.7)				
<b>UNPAID CLAIMS ANALYSIS</b>					
<b>(U&amp;I Exhibit, Part 2B)</b>					
20. Total claims incurred for prior years (Line 12, Col. 5) .....					
21. Estimated liability of unpaid claims-[prior year (Line 12, Col. 6)] ..					
<b>INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES</b>					
22. Affiliated bonds (Sch. D Summary, Line 25, Col. 1) .....					
23. Affiliated preferred stocks (Sch. D Summary, Line 39, Col. 1) .....					
24. Affiliated common stocks (Sch. D Summary, Line 53, Col. 2) .....					
25. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11) .....					
26. Affiliated mortgage loans on real estate .....					
27. All other affiliated .....	37,140				
28. Total of above Lines 22 to 27 .....	37,140				

**SCHEDULE D - SUMMARY BY COUNTRY**  
**Long-term Bonds and Stocks OWNED December 31 of Current Year**

Description		1 Book/Adjusted Carrying Value	2 Fair Value (a)	3 Actual Cost	4 Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1. United States .....	.....	.....	.....	.....
	2. Canada .....	.....	.....	.....	.....
	3. Other Countries .....	.....	.....	.....	.....
	4. Totals .....	.....	.....	.....	.....
States, Territories and Possessions (Direct and Guaranteed)	5. United States .....	.....	.....	.....	.....
	6. Canada .....	.....	.....	.....	.....
	7. Other Countries .....	.....	.....	.....	.....
	8. Totals .....	.....	.....	.....	.....
Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed)	9. United States .....	.....	.....	.....	.....
	10. Canada .....	.....	.....	.....	.....
	11. Other Countries .....	.....	.....	.....	.....
	12. Totals .....	.....	.....	.....	.....
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States .....	.....	.....	.....	.....
	14. Canada .....	.....	.....	.....	.....
	15. Other Countries .....	.....	.....	.....	.....
	16. Totals .....	.....	.....	.....	.....
Public Utilities (unaffiliated)	17. United States .....	.....	.....	.....	.....
	18. Canada .....	.....	.....	.....	.....
	19. Other Countries .....	.....	.....	.....	.....
	20. Totals .....	.....	.....	.....	.....
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States .....	.....	.....	.....	.....
	22. Canada .....	.....	.....	.....	.....
	23. Other Countries .....	.....	.....	.....	.....
	24. Totals .....	.....	.....	.....	.....
Parent, Subsidiaries and Affiliates	25. Totals .....	.....	.....	.....	.....
	26. Total Bonds .....	.....	.....	.....	.....
PREFERRED STOCKS Public Utilities (unaffiliated)	27. United States .....	.....	.....	.....	.....
	28. Canada .....	.....	.....	.....	.....
	29. Other Countries .....	.....	.....	.....	.....
	30. Totals .....	.....	.....	.....	.....
Banks, Trust and Insurance Companies (unaffiliated)	31. United States .....	.....	.....	.....	.....
	32. Canada .....	.....	.....	.....	.....
	33. Other Countries .....	.....	.....	.....	.....
	34. Totals .....	.....	.....	.....	.....
Industrial and Miscellaneous (unaffiliated)	35. United States .....	.....	.....	.....	.....
	36. Canada .....	.....	.....	.....	.....
	37. Other Countries .....	.....	.....	.....	.....
	38. Totals .....	.....	.....	.....	.....
Parent, Subsidiaries and Affiliates	39. Totals .....	.....	.....	.....	.....
	40. Total Preferred Stocks .....	.....	.....	.....	.....
COMMON STOCKS Public Utilities (unaffiliated)	41. United States .....	.....	.....	.....	.....
	42. Canada .....	.....	.....	.....	.....
	43. Other Countries .....	.....	.....	.....	.....
	44. Totals .....	.....	.....	.....	.....
Banks, Trust and Insurance Companies (unaffiliated)	45. United States .....	.....	.....	.....	.....
	46. Canada .....	.....	.....	.....	.....
	47. Other Countries .....	.....	.....	.....	.....
	48. Totals .....	.....	.....	.....	.....
Industrial and Miscellaneous (unaffiliated)	49. United States .....	4,974,626	4,974,626	4,459,510	.....
	50. Canada .....	.....	.....	.....	.....
	51. Other Countries .....	.....	.....	.....	.....
	52. Totals .....	4,974,626	4,974,626	4,459,510	.....
Parent, Subsidiaries and Affiliates	53. Totals .....	.....	.....	.....	.....
	54. Total Common Stocks .....	4,974,626	4,974,626	4,459,510	.....
	55. Total Stocks .....	4,974,626	4,974,626	4,459,510	.....
	56. Total Bonds and Stocks .....	4,974,626	4,974,626	4,459,510	.....

(a) The aggregate value of bonds which are valued at other than actual fair value is \$.....

**SCHEDULE D - Verification Between Years**

1. Book/adjusted carrying value of bonds and stocks, prior year. ....	6. Foreign Exchange Adjustment
2. Cost of bonds and stocks acquired, Column 6, Part 3. .... 4,460,957	6.1 Column 17, Part 1.....
3. Increase (decrease) by adjustment:	6.2 Column 13, Part 2, Section 1.....
3.1 Column 16, Part 1.....	6.3 Column 11, Part 2, Section 2.....
3.2 Column 12, Part 2, Section 1.....	6.4 Column 11, Part 4.....
3.3 Column 10, Part 2, Section 2..... 515,116	7. Book/adjusted carrying value at end of current period..... 4,974,626
3.4 Column 10, Part 4..... 515,116	8. Total valuation allowance.....
4. Total gain (loss), Column 14, Part 4..... (6)	9. Subtotal (Lines 7 plus 8)..... 4,974,626
5. Deduct consideration for bonds and stocks disposed of	10. Total nonadmitted assets.....
Column 6, Part 4..... 1,441	11. Statement value of bonds and stocks, current period..... 4,974,626

**SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS**  
**Allocated by States and Territories**

		1	2	Direct Business Only					
		Guaranty Fund (Yes or No)	Is Insurer Licensed (Yes or No)	3	4	5	6	7	8
State, Etc.				Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life & Annuity Premiums & Deposit-Type Contract Funds	Property/ Casualty Premiums
1.	Alabama (AL) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
2.	Alaska (AK) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
3.	Arizona (AZ) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
4.	Arkansas (AR) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
5.	California (CA) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
6.	Colorado (CO) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
7.	Connecticut (CT) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
8.	Delaware (DE) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
9.	District of Columbia (DC) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
10.	Florida (FL) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
11.	Georgia (GA) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
12.	Hawaii (HI) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
13.	Idaho (ID) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
14.	Illinois (IL) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
15.	Indiana (IN) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
16.	Iowa (IA) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
17.	Kansas (KS) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
18.	Kentucky (KY) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
19.	Louisiana (LA) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
20.	Maine (ME) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
21.	Maryland (MD) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
22.	Massachusetts (MA) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
23.	Michigan (MI) .....	No .....	Yes .....	.....	.....	95,794,911	.....	.....	.....
24.	Minnesota (MN) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
25.	Mississippi (MS) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
26.	Missouri (MO) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
27.	Montana (MT) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
28.	Nebraska (NE) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
29.	Nevada (NV) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
30.	New Hampshire (NH) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
31.	New Jersey (NJ) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
32.	New Mexico (NM) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
33.	New York (NY) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
34.	North Carolina (NC) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
35.	North Dakota (ND) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
36.	Ohio (OH) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
37.	Oklahoma (OK) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
38.	Oregon (OR) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
39.	Pennsylvania (PA) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
40.	Rhode Island (RI) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
41.	South Carolina (SC) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
42.	South Dakota (SD) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
43.	Tennessee (TN) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
44.	Texas (TX) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
45.	Utah (UT) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
46.	Vermont (VT) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
47.	Virginia (VA) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
48.	Washington (WA) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
49.	West Virginia (WV) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
50.	Wisconsin (WI) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
51.	Wyoming (WY) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
52.	American Samoa (AS) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
53.	Guam (GU) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
54.	Puerto Rico (PR) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
55.	U.S. Virgin Islands (VI) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
56.	Canada (CN) .....	No .....	No .....	.....	.....	.....	.....	.....	.....
57.	Aggregate other alien (OT) .....	X X X .....	X X X .....	.....	.....	.....	.....	.....	.....
58.	TOTAL (Direct Business) .....	X X X .....	(a). 1 .....	.....	.....	95,794,911	.....	.....	.....
DETAILS OF WRITE-INS									
5701	.....			.....	.....	.....	.....	.....	.....
5702	.....			.....	.....	.....	.....	.....	.....
5703	.....			.....	.....	.....	.....	.....	.....
5798.	Summary of remaining write-ins for Line 57 from overflow page .....			.....	.....	.....	.....	.....	.....
5799.	TOTALS (Lines 5701 through 5703 plus 5798) (Line 57 above) ..			.....	.....	.....	.....	.....	.....

(a) Insert the number of yes responses except for Canada and Other Alien.  
Explanation of basis of allocation of premiums by states, etc.:

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP  
PART 1 - ORGANIZATIONAL CHART

